

ABO Energy (AB9 GY) | Utilities/Renewables

November 26, 2024

Time to be a little more cautious

Downrevision of net profit target 2024 from EUR 25 to 31m to EUR 20 to 25m. The reasons for this are a) project delays partly due to extended delivery times for transformer stations, turbines, etc., b) lower electricity prices in Spain and Finland, resulting in planned revenues not being realised (yet) or not in the expected amount c) a value adjustment on a participation. The targets for 2025 (net profit EUR 29 to 39m) and beyond (2028 > EUR 50m) were confirmed. The developments in Finland and Spain highlight the manifold interdependencies (including political decisions) and complexities of the electricity markets. In Finland, the commissioning of the Olkiluoto 3 nuclear power plant in 2023 (with a 14-year delay) triggered a decline in electricity prices, while in Spain it was the significant expansion of photovoltaics. In view of such disruptions, it proves to be all the more important that ABO has been committed to broad geographic diversification for decades and has repeatedly demonstrated that it can compensate for setbacks in individual countries with successes in others. Projects that have already received approval in Germany and France will add up to around 450 MW by YE. According to our calculations, their sale alone should generate pre-tax earnings of up to EUR 200m in the next 1 to 3 years. We therefore consider the company's profit projections to be realistic, particularly for 2025. Overall, the company is now taking a bit more cautious stance with a stronger focus on optimising liquidity. It is likely that the (early) sale of project rights will occur more frequently in the future. The company is not ruling out the sale of entire pipelines either. In terms of valuation, we now limit our pipeline approach to the more promising countries. We thus arrive at a new fair value of EUR 96 per share.

Fundamentals (in EUR m) ¹	2021	2022	2023	2024e	2025e	2026e
Sales	127	232	300	342	368	382
EBITDA	30	57	59	54	67	79
EBIT	22	43	42	36	48	59
EPS adj. (EUR)	1.50	2.67	2.96	2.28	3.31	3.95
DPS (EUR)	0.49	0.54	0.60	0.64	0.68	0.70
BVPS (EUR)	16.25	18.44	20.90	23.07	25.94	29.63
Net Debt incl. Provisions	74	92	153	267	245	188
Ratios ¹	2021	2022	2023	2024e	2025e	2026e
EV/EBITDA	19.3	13.6	9.0	11.1	8.5	6.5
EV/EBIT	26.2	18.0	12.5	16.8	11.8	8.7
P/E adj.	37.3	27.8	13.9	15.6	10.8	9.0
Dividend yield (%)	0.9	0.7	1.5	1.8	1.9	2.0
EBITDA margin (%)	24.0	24.6	19.8	15.6	18.3	20.8
EBIT margin (%)	17.7	18.6	14.2	10.4	13.1	15.5
Net debt/EBITDA	2.4	1.6	2.6	5.0	3.6	2.4
PBV	3.4	4.0	2.0	1.5	1.4	1.2

¹Sources: Bloomberg, Metzler Research

Buy



unchanged

Price*

EUR 35.60

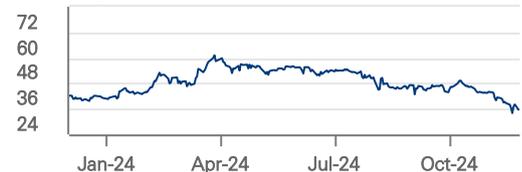
Price target

EUR 96.00 (113.00)

* XETRA trading price at the close of the previous day unless stated otherwise in the Disclosures

Market Cap (EUR m) ¹	328
Enterprise Value (EUR m) ¹	595
Free Float (%) ¹	38.0

Price (in EUR)¹



Performance (in %) ¹	1m	3m	12m
Share	-19.1	-23.9	-19.1
Rel. to SDAX	-17.2	-21.5	-21.8
Changes in estimates (in %) ¹	2024e	2025e	2026e
Sales	-2.3	0.0	0.0
EBIT	-18.4	0.0	0.0
EPS	-27.6	0.0	0.0

Sponsored Research

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company note

Our view of the renewables sector

The situation in Germany is a good illustration of how sensitive the renewables sector is to political shifts. The break-up of the current governing coalition has led to political uncertainty regarding medium and long-term expansion plans in Germany. A new government could potentially also make adjustments to the energy transition, although it is highly likely that the CDU, which is currently leading in the election polls, will need the support of at least one of the current governing parties to form a government.

In our view a differentiated pragmatic view must continue to be taken of renewables. It will hardly ever be possible to rely exclusively on renewables, if only because production depends on the weather and the time of day. Purely fossil or nuclear approaches also have their clear weaknesses; construction and approvals sometimes take decades, and in the case of fuels, dependencies arise on countries from which one does not want to be dependent. The environmental aspect will certainly also continue to play a role.

It must be expected that the demand for electricity will increase. Topics such as electromobility or AI are likely to drive this. And that means that we will need more generation capacity. According to our analyses, there are hardly any differences between conventional power plants and renewables in terms of the costs of creating new generation capacity (see our study 'Dogmatism could give way to pragmatism' from 1 October 2024).

We continue to believe that a pragmatic mix is the most plausible approach to energy supply. In which renewables play an important role and can play to their strengths.

Valuation

In terms of valuation, we are now limiting our pipeline approach to countries with (currently) relatively good conditions for the expansion of renewables.

The company is currently feeling confident about Germany and France, and also about South Africa and Colombia. We also continue to regard Poland and Ireland as attractive. These countries account for around 14 GW of the 25 GW pipeline.

We set a pipeline value of EUR 40m/GW for PV and EUR 135m/GW for wind. For the non-European pipeline, we use EUR 10m/GW.

This gives us a new fair value of EUR 96/share.

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Pipeline update from August 2024

Country	Phase I (Areas secured, approval in progress)	Phase II (Approval achieved, building maturity in progress)	Phase III (In implementation)	TOTAL	Countries with (currently) good framework conditions for the expansion of renewables	Our Valuation approach	
						Multiple for pipeline projects in Europe (pre tax profit in EURm/GW)	
Germany	3950	150	300	4400	4400	PV	Wind
France	1360	170	70	1600	1600	40	135
Finland	5200	100	0	5300		Fair Value (EUR m)	
Ireland	490	60	0	550	550	PV	Wind
Spain	625	425	100	1150		74	744
Greece	300	700	0	1000		Multiple for pipeline projects outside EU (pre tax profit in EURm/GW)	
Poland	780	20	0	800	800	10	
Hungary	110	0	90	200		Fair Value (EURm)	
UK	380	370	0	750		63	
Netherlands	60	40	0	100		TOTAL fair value per share	
Total Europe	13255	2035	560	15850	7350	96	
Argentina	600	700	0	1300			
Columbia	280	500	20	800	800		
Canada	1200	0	0	1200			
Southafrica	2500	3000	0	5500	5500		
Tunesia	140	10	0	150			
Total by phase	17975	6245	580	24800			
Total Europe		15850					
TOTAL		24800					

Sources: ABO Energy, Metzler Research

company note

Key Data

Company profile

CEO: Dr. Karsten Schlageter (Spokesman), Dr. Jochen Ahn, Matthias Bockholt, Matthias Hollmann, Susanne von Mutius, Alexander Reinicke CFO: Wiesbaden
 The renewables project developer ABO Wind, founded in 1996 and now active in 16 countries, has its roots in wind power, but in recent years has also expanded its wind farm management activities through services such as maintenance and expert reports (since 2014) and the construction of solar parks (since 2016).

Major shareholders

Family Ahn (26%), Family Bockholt (26%), Mainova AG (10%)

Key figures

P&L (in EUR m)	2021	%	2022	%	2023	%	2024e	%	2025e	%	2026e	%
Sales	127	-14.8	232	82.3	300	29.4	342	14.1	368	7.7	382	3.6
EBITDA	30	-12.3	57	87.0	59	4.0	54	-9.8	67	26.0	79	17.7
EBITDA margin (%)	24.0	2.9	24.6	2.6	19.8	-19.6	15.6	-20.9	18.3	17.0	20.8	13.5
EBIT	22	0.0	43	92.2	42	-1.5	36	-16.5	48	36.3	59	22.5
EBIT margin (%)	17.7	17.3	18.6	5.5	14.2	-23.9	10.4	-26.8	13.1	26.6	15.5	18.2
Financial result	-1	15.3	-5	-228.9	-1	82.5	-2	-193.1	-4	-40.0	-4	-14.3
EBT	21	1.3	38	82.6	42	8.8	33	-20.8	45	36.1	55	23.2
Taxes	7	-5.8	14	91.0	14	5.4	12	-16.7	14	20.0	19	31.3
Tax rate (%)	34.1	n.a.	35.7	n.a.	34.6	n.a.	36.4	n.a.	32.1	n.a.	34.2	n.a.
Net income	14	5.3	25	78.2	27	10.7	21	-22.9	30	45.2	36	19.3
Minority interests	0	100.0	0	n.a.	-0	n.a.	0	100.0	0	n.a.	0	n.a.
Net Income after minorities	14	5.3	25	78.2	27	10.8	21	-23.0	30	45.2	36	19.3
Number of shares outstanding (m)	9	0.0	9	0.0	9	0.0	9	0.0	9	0.0	9	0.0
EPS adj. (EUR)	1.50	5.3	2.67	78.2	2.96	10.8	2.28	-23.0	3.31	45.2	3.95	19.3
DPS (EUR)	0.49	8.9	0.54	10.2	0.60	11.1	0.64	6.7	0.68	6.3	0.70	2.9
Dividend yield (%)	0.9	n.a.	0.7	n.a.	1.5	n.a.	1.8	n.a.	1.9	n.a.	2.0	n.a.
Cash Flow (in EUR m)	2021	%	2022	%	2023	%	2024e	%	2025e	%	2026e	%
Gross Cash Flow	20	-52.4	70	244.1	42	-39.0	39	-8.0	49	26.9	56	13.9
Increase in working capital	-67	n.a.	-83	n.a.	-105	n.a.	-145	n.a.	-20	n.a.	10	n.a.
Capital expenditures	4	11.1	2	-42.3	2	-22.1	2	11.1	2	0.0	3	50.0
D+A/Capex (%)	200.8	n.a.	599.4	n.a.	933.3	n.a.	900.0	n.a.	950.0	n.a.	666.7	n.a.
Free cash flow (Metzler definition)	-51	-177.7	-16	68.5	-65	-302.2	-108	-66.7	27	125.5	63	130.5
Free cash flow yield (%)	-10.0	n.a.	-2.4	n.a.	-17.1	n.a.	-32.9	n.a.	8.4	n.a.	19.3	n.a.
Dividend paid	4	7.1	5	8.9	5	10.2	6	11.1	6	6.7	6	6.2
Free cash flow (post dividend)	-55	-189.3	-21	62.7	-70	-238.3	-114	-62.7	22	119.0	57	164.4
Balance sheet (in EUR m)	2021	%	2022	%	2023	%	2024e	%	2025e	%	2026e	%
Assets	310	19.0	463	49.4	506	9.3	557	10.0	610	9.6	642	5.2
Goodwill	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Shareholders' equity	150	7.0	170	13.5	193	13.4	213	10.4	239	12.5	273	14.2
Equity/total assets (%)	50.5	n.a.	37.8	n.a.	39.1	n.a.	39.3	n.a.	40.4	n.a.	44.0	n.a.
Net Debt incl. Provisions	74	892.2	92	24.3	153	66.3	267	74.2	245	-8.1	188	-23.3
thereof pension provisions	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Gearing (%)	49.4	n.a.	54.1	n.a.	79.4	n.a.	125.3	n.a.	102.4	n.a.	68.7	n.a.
Net debt/EBITDA	2.4	n.a.	1.6	n.a.	2.6	n.a.	5.0	n.a.	3.6	n.a.	2.4	n.a.

Structure

Sales by area of activity 2023



Sources: Bloomberg, Metzler Research

company note

Disclosures

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Recommendations for each financial instrument or issuer - mentioned in this document - published by Metzler in the past twelve months

Date of dissemination	Metzler recommendation *		Current price **	Price target *	Author ***
	Previous	Current			
Issuer/Financial Instrument (ISIN): ABO Energy (DE0005760029)					
02.09.2024	Buy	Buy	47.20 EUR	113.00 EUR	Hoymann, Guido
18.06.2024	Buy	Buy	51.80 EUR	113.00 EUR	Hoymann, Guido
15.03.2024	Buy	Buy	54.80 EUR	113.00 EUR	Hoymann, Guido
19.02.2024	Buy	Buy	52.00 EUR	113.00 EUR	Hoymann, Guido
01.12.2023	Buy	Buy	41.90 EUR	113.00 EUR	Hoymann, Guido

* Effective until the price target and/or investment recommendation is updated (FI/FX recommendations are valid solely at the time of publication)

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